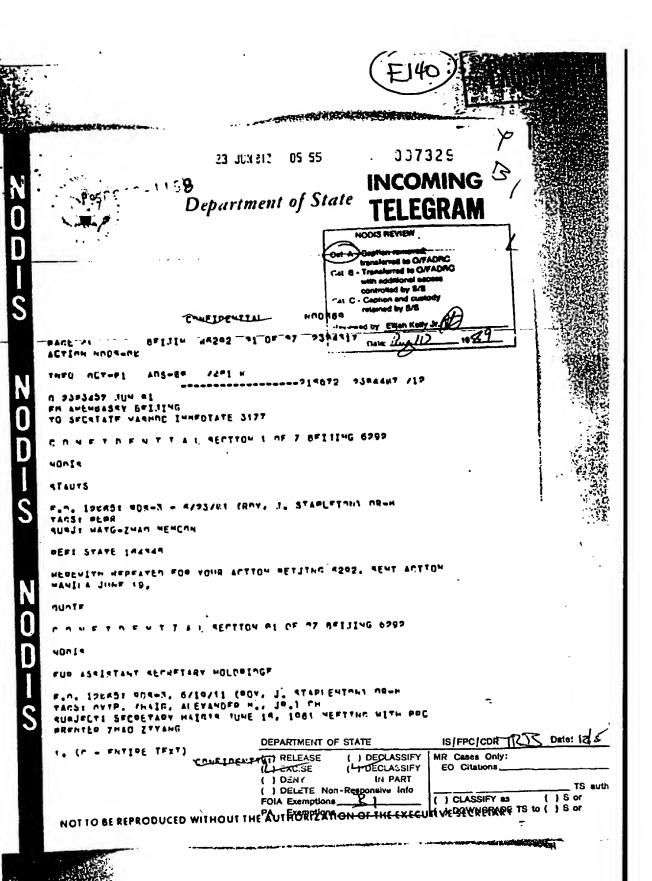
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P. THE FOLLOWING MEMCON OF THE SECRETARY'S MEETING WITH PRE PREMIEN ZMAN FIVANG AT STAR P.H. ON THEROAY. JUNE IN, 100: REQUIRES CLEARANCE BY THE REPRETARY. JUNE IN, 100: REQUIRES CLEARANCE BY THE REPRETARY. WITH APPROPRIATE DISTRIBUTION CONTROLS.

7. PARTICIPANTS THE MEETING FOR THE U.S. MEDE

THE SECRETARY ARSISTANT SECRETARY HOLDRIDGE, CHARGE NIAFFATHES BOY, GENERAL MALTERS, MESSRS, LTLLEY, AHMACOST AND GOLDREGG, AND MS. CMANG, (INTERPRETEL), FOR THE CHINESE STAEL REPORTED THAO ZIYANG, VICE FORETGE MINISTER ZMANG MEJIN, DIRECTOR HAN XII, DEPUTY OTRECTOR THE CHAUTHUI, DEPUTY DIRECTOR THE CMAUTHUI, DEPUTY DIRECTOR TANG LONGRIN, INTERPRETER

4. OFGTN TFXTE

WATE PHENTER THAN, TT IS A PRIVILEGE TO MEET TOU IN THIS LOYELY PLACE.

VAUG JTCHI. IND THREE MOTETAKERS.

IT TS CALLEN THE PURPLE VELVET PAULITING, ME MEU PREMTER THAY EULAT WAS ATTH HIS, ME UFTEN RET FINETING GIVERTS WERE. TH THE DING UWRASTY THIS WAR THE PLACE WHERE THE WHERENH GAVE FXAMINATIONS IN SCHOLARS.

THENERVENITH: TO MILITARY OFFICERS.

MATGY I MORE T MONIT MAYE THAT EXPERIENCE TODAY,

I MIGHT GET A LOW GRADE.

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THAD: YOU MAY REFN HERE REVERAL DAYS, AND THE STATHER HAS HEED VERY NOT.

MATG: IT TS FORTUNATE THAT WHILF THE WEATHER TS HOT, TI IS DRY, NOT DAMP.

THAUS IT TO MARMER THAN MASHINGTOM?

HATGE SEIGHTLY, GUT HAT AS MUMIN, ME MESE IN HANG MONG THO DAYS AGO, THAT WAS MEST MUNITO.

THAD: ONE GOOD THTHE ABOUT MONG KNNG IS THE FACT THAT THEY MAYE NO MOSQUITTIES, HE MAYE THEM MERE TH GREAT WINNERS.

MATGE I OTDELT, ECTUALLY MOTTER THEM.

THAU: IT TS NOT LIKE PARTON HERE! THERE, MORQUITO NETS ARE MEEDED.

THAO: DURTHE THIS MENUTUR, YOU MET WITH VICE CHATRMAN RENG. THAT HAS A VERY THEODISHT SERICH MUICH MAS THE CLIMAY OF YOUR VISIT, VOIL ALSO MET FESTEDDAY AND THE DAY BEFORE WITH FORFIGH MINISTER MUAKE MUA, VICE REPORTER OF SERVICE ROLL THAT THESE SESSIONS HERY VERY WELL.

WATG: OF WAN EXTENSIVE RISCUSSIONS ON INTERNATIONAL, REGIONAL, AND BILATERAL ISSUES. OUR TOLES OFF MIGHLY SATISFACTORY, AND VERY CONSTRUCTIVE.

THIO: PERMAPS TODBY I HIGHT USE THE OPPORTUNITY TO GOIFF YOUR EXCELLENCY ON CONESTIC CONCITIONS HERE IN CHIMA, MODERAFE, SINCE I BECENTLY SEVERAL

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FAINTS BELATER TO THOSE COUNTDIFS.

MATGE THAT MORILIN ME WERY THTERESTING.

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THU ALREADY KNOW THAT WE WILL SHOW MAVE THE STATH PLENUM OF THE 11TH PARTY FENTRAL CHMITTEE, THIS WILL HE A VERY THROSTANT SESSION, ON THAT OCCASION, AN IMPORTANT

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STEATP I NONUMENT ON CENTAIN MISTARYCAL DIESTTONS WILL OF ADOPTED, AND THESE WILL SE SOME PERSONNEL CHANGES IN THE CENTRAL LEAGER-SHIP!

PERHAPS AGH PERE ENDA ANTE IN 1842 LEE BYLLA CENAUT COMMITTEE TOUBLEU T BESOFALUM ON SOME THOUGHTAT MISTORTCAL QUESTIONS STACE THE ESTABLYSHIPLY OF THE PARTY. AT THAT THE DOCUMENT ENCOURAGED THE HISTY DE PARTY MEMBERS, AND CONTRIBUTED I THE STRENGTH NE THE MANTY, MNTCH HILTIMATELY ACHTEVEN

THE GREAT MATINEL VICTORY. THE RESOLUTION TO BE AUNPIEN AT THE STATE PLEMUM WILL RE F SANTENA LUARDING LINE BEDJOU BOUN THE Edinular de una afeneric in the adezent --

THAT IR, 30 YEARS. THIS JUCHENT WILL FOUR WONEDWILLTOUS EFFORT. DEBMAPE YOU TANK COMPTREUENTEN NOT TO BE REPRODUCED WITHOUT THE AUTHORIZATION OF THE EXECUTIVE SECRETARY

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THAT STORE 1977, AND EXPECTALLY STUCK 1979, WE MAYE DONE A LOT TO BEVIEW THE PATH WE MAYE TOAVERSED AND TO SUMMANTE OUR STRESISHED AND THE LESSONS OF MAYE LEARNED. THE MAYN PHENDOS IS TO MAKE FLEAR THE DISTINCTION BETWEEN BIGHT AND MOTHOR, TO STICK TO THE RIGHT, AND TO POPRECT MISTAKES. THIS MAS REEN A TENENDOIS JOH, BUT IT IS NOW ALBEADY BIVINED. AGAINST THIS GACKOROR THE SITTH RESULT HTLL RE

TALKTHE AGENT LICKING MACK ON MISTERY AND SUMMING HIP DIER HYSTOPICAL EXPERIENCE, THE GUNSTION IS THE FORM ONE LEGYS AT THE TOP TO THE PAST TO YEARS. CHIRING THIS PERSON, ME HAVE MADE SHIP MISTAKES, PARTICULARLY NUPLUS THE CHILTURAL DEVOLUTION, MISTAPAT FROM THAT, WE MAVE MADE COMSTOFRABLE PROGRESS.

WE MAYE ESTABLISHED A ROCIALIST RYATEM.
AND WE MAYE LAIMCHED A MASRIVE ECONOMIC
BROGRAM. WE MAYE CAPRIED OUT MATER COMSERVANCE OM A LARGE ROCALE IN THE COUNTRYGINE, UNE PEGMI RAY THAT INDUSTRY MAS
ALREAGY STATEMED A STEFABLE MAGNITHOE.
THERE ARE AS MANY AS 4PS, MEN INDUSTRIAL
ENTERPRISES AND CTROULATING CURRENCY OF THESE
ENTERPRISES ANDUPTS TO SEN ASLITION CHINESE
VUAN, THERE ARE, OF TOURRE, SOME
RHOMECONTRIES SHOW AS FAULTS TH MANAGEMENT

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AND PERICIPHET, WHICH IS NOT TOO HIGH.

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MEVEL DENERT CHEFFEU A STEFARLE SASIS FOR

RUBING THE LAST 72 YPAGS THE CHINERE PRIPRILA-TION HAS BEABLY OBURLED. TH 1949 THERE YESE OVER DOWN HTLLION CHINERE. AND WE MAVE UALE DER HAFFTUN CATABLE. WEARLY ONE BYLLION, HE MAYE SUCCEPOFO IN MEFTYNG THE BASIC MEFOR OF OUR PROPLE. HOW THEY HAVE ENDUGH TO FAT AND MEAR. HOMENER, CHARACH TO THE OFFECTORD CUINTRIES AND TO THE REDIAN INCOME AND RAPTO GRANTH RATTONS, CHINA TS A PROP COUNTRY AND PERINELY BACKWARN, MUT TY IS A VASTLY DIFFERENT COUNTRY THAN IT WAS BE YEARS AGO. ONF OF THE PAJOR INDICATIONS OF CHANGE IS THAT THE AVERAGE LIFE EXPECTANCY IS NOW 64 YEARS TLD. AS YOU KYUN, LIFF PEPECTANCY PEFLECTS THE LEVEL OF FCONONIC AND SOCIAL DEVELOPMENT OF A COUNTRY. PARTICULARLY, I WOILE BOTHY OUT THAT IN THE LAST 30 OR MORE YEARS HE HAVE ACHTEVER RUCCESS IN A COUNTRY OF ONE BILLIN, OF WHICH ART WILLTON ARE BEASANTS. AND IN A COUNTRY - MORE FCONORITO BASE WAS FECEFOTHELY YEAR. FOR THE RETIFK PART OF THE LAST THREE DECADES. CHINA CRABIED OF PUBE HAVES DIELICHT COMUTTYUNE THE ALOCKADE HE FACED REQUIRED 118 TO BELY ON OURSELVER IN CAPTTAL FORMATION. TERMODIORICAL PEVELOPHENT, AND BRINGTHE BUT THE TALENTS OF QUE PEOPLE. OF COURSE, IN THE 1948 S WHEN STALTH WAS ALIVE THE ROVIET UNION DID GIVE IIS SOME ASSITANCE, BUT IT HAS NOT FREEL HE MAN TO DAY IT MACK. MHEN KONGHUNES COME TO DUMEN HE TOOK UP THE CONTRACTS, PULLED BUT THE TECHNICIANS, AND MEMANUS HERAVMENT. ALTHOUGH THIS

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TAMBOU OF THEAT TROUBLE, WE EVENTUALLY BATO EVENTHING BACK.

THUR OF THE LAST THREE RECARES -- THAT TS

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STAUTS

TEN YEARS -- WAR WARTED BECAUSE OF SO-CALLED CULTURAL DEVOLUTION. LORGING MASTER SCHOOL COLLEGE OF CACK, WE FAM REE EVEN MORE CLEARLY WHAT A MASTER REPORT HAT AND FOUND THAT IT HAS POECISELY DURYELOPED COUNTRIES ACHTEVED SUCH REMARKS ARE ECONOMIC PROCRESS. I MAVE GOME INTO LOTALL COUNTRIES ACHTEVED SUCH REMARKS OF THE SUCCESSES WERE THE DESDITE BLUNDERS, IT LESSICHESSES WERE THE DESDITE BLUNDERS, INIC MONES THAT THE SOCTALIST SYSTEM COMPRESDING IN ACTUAL COMMITTIONS TO CHIVA. WE MAVE REDURNT THTO PLAY THE SUPERIORITY OF THE SOCTALISTS SYSTEM. THERE ARE SOME WAIDS FLAMS. THEY WERD TO REDE AND SOURCESSES. THERE ARE SOME WAIDS FLAMS. THEY WERD TO REDE AND SOURCESSES.

CONFIDENTIAL STORE AND CONFIDENT OF THE AND STICK TO THE ADELETS TOLD THE AND TENDING THOUGHT,

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BEILL SABOS US OR WAS STRAMMED

EVERCISE THE MICHATORMATE OF THE BROLETAKTAT, AND ARMERS TO THE LEARERSHIP OF THE COMMUNICE PARTY, BUT ON THE OTHER HAND, COMMUNICE PARTY, BUT ON THE OTHER HAND, WEFORMS AFLL MAVE TO BE CARDIED ON STEP AND ACT OFFILL MORES FOR A GENERATION. IN ASSESSING DUP PERFORMANCE UNTO THE PAST 39 YEARS, ONE SHOULD NEITHER COMPION HOR NEGATE WHAT HAS BEEN MONE, I'E', HE SHOULD NOT BECAUSE OF MISTAKES OF ALUMDERS HEGATE DUR RASIC SOCIALIST SYSTEM OR CHYNAIS RASIC POLITIES, WE SHOULD STOCK THE FORTS TO RESPECT OUR SOCIALIST SYSTEM AND OVERCOMPTER SHORTCOMPTERS IN THE POLITICAL SYSTEM.

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MATGE OF TO FOLLOW EVENTS HERE CLOSELY, STATE OF DETABLE CONTRACT AS A MATTER OF CONCERN TO THE UNITED OF TAKES AS MELL. IN

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THAD: I HAVE WEARN THAT ACCOUNTING TO KEYNESTAN ECONOMIC THEORY OHE CAN SPEND MORE THAN OHE FARMS.

MATGE THAT IS NOW A OFFINET THEORY IN THE UNITED STATES" PRESIDENT REAGAN HOFS HAT FALLOW PRILITAN ETTHER, ALIT ME BEMEMBERS MARIE FERMANTER FRAN 49-86 YFAMS ARD. T THINK OUR NEW MONSEHOLDS LIVE BY THE FUNDAMENTAL FERNANTE PREPERTS WHICH WATTONS MURT FALLOW AS AFEL. T MAN A LENGTHY DIRCHS. BECENT VISTY TO CHINA WITH THE TOLL ATERAL COMMISSION, HE EXPRESSED GREAT THTEPEST IN CAPITAL FIMAMETHE AND THOUGHT THAT HE AND SUME OF MIS STATE SALENDS CONTU ULLES SOME CONSTRUCTIVE SHERESTTUNS. I DTD GATHER VESTERRAY THAT PART OF YOUR DEFOOM PROGRAM THYOI VES GREATER DECENTRALTZATTON. THAT INTERETE WE BECAUSE HE ARE ALSO RESERVE TO ACCOMPLISH THAT IN THE UNITED STATES! HE MAYE ONE MAJOR CONTRAUTCTION

TH DIN UTHERWISE AUSTERS MUDRET.
WHICH WAS REEN REDUCED 34 90
RILLTON HOLLARS! THAT IS A DRAMATIM 32

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RILLTON NOLLAR INCREASE TH ONR DEFENCE
REPRINTING ... F HAVE FOUND THAT MYER THE LAST
RELECTION OURING THE ARMINISTRATION OF JOHN REMNEDY
TH LODD TO NEARLY 380 BILLTON LAST YEAR.
WANT OR THE REMCEDANS HAVE MITLIVED THEIR
ONTGINAL PHORDRES, BUT THEY HAVE RETAINED

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MUNEPTHE AND CHRATITHENCIES THEIR MUNEPTHE IN GROW.

ARE BURSHING A BROAD MASED ECOMONIC REFORM THIEN THE LUTTER KINGROW THREE YEARS THE MANE THE HESTARE OF TRYING TO TENLATE FUNCTIONAL AREAS OF AUSTERTTY. AND THE WAS DEFEATED ON FACH ISSUE BY THE STAFFAL MAP LAE BECOFE THE 12 IN 40HE TROUBLE TODAY. FOR THAT BEARON, HE ARE THATOR IN BEUCKEU UN V GEOFO EBONT IN TH THTERNATTU MARWED TO GET THE BASTO SMONUARMENAS IN UTIO ECUMUNA APSCH HE WITZA

ME'S SHENTED FROM VICE PRESTUENT GIVEN AND A LETTED FROM VICE PRESTUENT GIVEN, AL hofejuent betwen to Ealery to Aun Th THUITATION TO VIGIT THE HATTED STATES AT MUTUALIT CONVENTENT MATE AT THE EUR

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PAGE 69

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OF THIS YE'S ON THE REGIMENTS OF WEXT YEAR.

HE HOULD HE WONDRED TO RECEIVE YOU IF YOUR

ARRANGEMENTS THROUGH DIPLOMATIC CHANNELS. I

WHOM THAT THE AMERICAN PROBLE HOULD BE DELIGHTED

TO HELICHE YOU.

THAO: I MOUID LIKE TO EXPOSES THANKS FOD DOSTOPNY
DEAGAN'S LETTED AND FOD HIS INVITATION AS USIL.
DEAGAN'S LETTED AND FOD HIS INVITATION AS USIL.
DECAMBER T MANE A VERY PROMED SCHEDULE THIS
DECAMBER T MANE A VERY PROMED SCHEDULE THIS
DEFINED AND LOCAL FOR ABLE TO MAKE IT.
THE DRESTORM AT A LATER DATE. SPECIFIC
CHAMEIS. I MOUID LIKE TO TAKE THIS
OPPOSITEDTY TO SENEN THE INVITATION TO
PRESTORM DEAGAN TO VISIT CHIMA. THE
CHYMESE COVERNMENT HAS ALBEADY EXTENDED
THE CHAIDMAN OF THE STANDING COMMITTEE OF
THE MATICAL PROBLETS CONGRESS, AND THE
CHYMESE COVERNMENT, T MOUID LIVE TO DEAFFIRM
THAI INVITATION TO PRESIDENT SEASON TO
VISIT AT A CONVENIENT TIME. PLEASE ALSO

MATUR I SHALL BY MADPY TO DO GO. I KNOW THE BRESTURNT WILL HELPONE YOUR INVITATION AND LONKE FURNISH THE WESTORNT MAY A VERY HEAVY SCHEDULE AND ME HAS FALLEN REMIND BECAUSE OF THE DECENT ALTEMPT ON HTS LIFF.

COUVEY TO BEGARDS TO THE POESINEHT.

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MATGE RE ARE ORESTED FOR THE AND MIST STOP. LET ME MAKE ONE COMMENT ON PARTSTAN. VOI VILL MAYE NOTED IN THE OREST THE ANNOHNEEMENT THAT OF HANGESEGRETARY ERR SECURITY ABSISTANCE. JIM GUCKIEV, MAS MORRED OUT A ERABEHORK AND THE DETAILS OF AN AGREEMENT FOR A MULTI-RILLTON OULLAR AGSISTANCE RROGGAM FOR BAKISTAN. THIS PURLTCTIV ON THE ARRANCEMENT HAS COME HIP MORE PURLTCTIV ON THE ARRANCEMENT HAS COME HOW MORE LOUDLY THAN & MOHILD MAYE STSMED THIS EARLY.

THEUS IN TT FOR DOLS NO STLEIGHOS

HATG: OVER NOIS 3 STLLION. DOLR 3 MILLION OVER FTUF VEARS
TS A NTGH FIGURE, AND 15 UNDREFERENTED. THIS
TS A NTGH FIGURE, AND 15 UNDREFERENTED. THIS
BEPKESENTS ROUGHLY THE SAMP LEVEL OF ATO AR
BEPKESENTS ROUGHLY THE SAMP LEVEL OF ATO AR
BE LOIS OF THIS. FIRST, THERE WILL
BE LOIS OF CONTROVERRY IN THE CODERS AR
WICH OF CONTROVERRY IN THE TS TOO
WHICH AND THAT IT HAS NOT BEEN CAREFULLY
CONTROLATED. WE HILL HORK ON THIS PROFIBM.
BECOUS! THE OAMGER OF THEFTIATE ROUGHT
BEFSTURE. ON PARTSTAN WAY ME HIGHER THAN
EVER!

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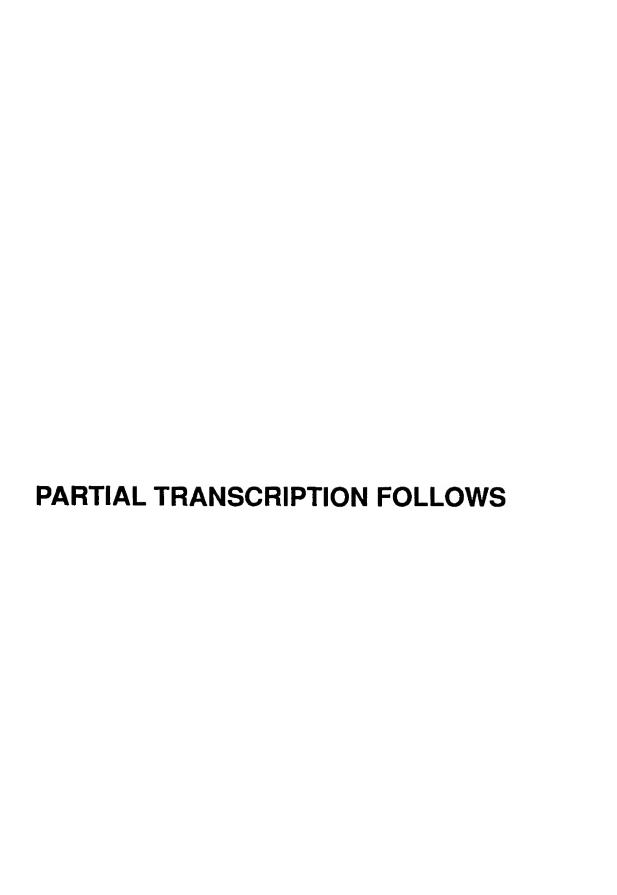
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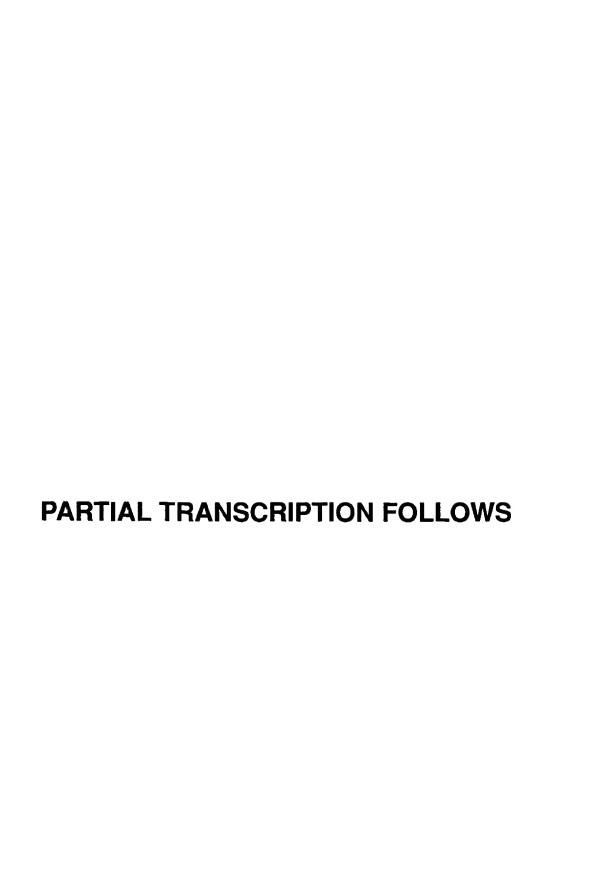
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FOR ASSISTANT SECRETARY HOLDRIDGE

SUBJECT: SECRETARY HAIG'S JUNE 16, 1981 MEETING WITH PRC PREMIER ZHAO ZIYANG

1. (C - ENTIRE TEXT)

PAGE 02

BEIJING

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- 2. THE FOLLOWING MEMCON OF THE SECRETARY'S MEETING WITH PAC PREMIER ZHAO ZIYANG AT 3:30 PM ON THUSDAY, JUNE 16, 1981 REQUIRES CLEARANCE BY THE SECRETARY, FOLLOWING WHICH IT SHOULD BE TRANSMITTED TO WASHINGTON WITH APPROPRIATE DISTRIBUTION CONTROLS.
- 3. PARTICIPANTS IN THE MEETING FOR THE U.S. WERE THE SECRETARY, ASSISTANT SECRETARY HOLDRIDGE, CHARGE D'AFFAIRES ROY, GENERAL WALTERS, MESSRS. LILLEY, ARMACOST AND GOLDBERG, AND MS. CHANGE, (INTERPRETER), FOR THE CHINESE SIDE: PREMIER ZHAO ZIYNG, VICE FOREIGN MINISTER ZHANG WEJIN, DIRECTOR HAN XU, DEPUTY DIRECTOR ZHU QIZHEN, DEPUTY DIRECTOR LI [ILLEGIBLE], DEPUTY DIRECTOR TANG LONGRIN, INTERPRETER YANG [ILLEGIBLE], AND THREE NOTETAKERS.

4. BEGIN TEXT:

HAIG: PREMIER ZHAO, IT IS A PRIVILEGE TO MEET YOU IN THIS LOVELY PLACE.

ZHAO: IT IS CALLED THE PURPLE VELVET PAVILION.
WHEN PREMIER ZHOU ENLAI WAS WITH US, HE
OFTEN MET FOREIGN GUESTS HERE. IN THE QYNG
DYNASTY THIS WAS THE PLACE WHERE THE
EMPEROR GAVE EXAMINATIONS TO SCHOLARS.

ZHANG WENJIN: TO MILITARY OFFICERS

HAIG: 1 HOPE I WON'T HAV THAT EXPERIENCE TODAY.
1 MIGHT GET LOW GRADE.

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ZHAO: YOU HAVE BEEN HERE SEVERAL DAYS, AND THE WEATHER HAS BEEN VERY HOT.

HAIG: IT IS FORTUNATE THAT WHILE THE WEATHER IS HOT, IT IS DRY, NOT DAMP.

ZHAO: IT IS WARMER THAN WASHINGTON?

HAIG: SLIGHTLY, BUT NOT AS HUMID. WE WERE IN HONG KONG TWO DAYS AGO. THAT WAS VERY HUMID.

ZHAO: ONE GOOD THING ABOUT HONG KONG IS THE FACT THAT THEY HAVE NO MOSQUITOES. WE HAVE THEM HERE IN GREAT NUMBERS.

HAIG: I DIDN'T ACTUALLY NOTICE THEM.

ZHAO: IT IS NOT LIKE CANTON HERE; THERE, MOSQUITO NETS ARE NEEDED.

ZHAO: DURING THIS MORNING, YOU MET WITH VICE CHAIRMAN DENG. THAT WAS A VERY IMPORTANT SESSION WHICH WAS THE CLIMAX OF YOUR VISIT. YOU ALSO MET YESTERDAY AND THE DAY BEFORE WITH FOEIGN MINISTER HUANG HUA, VICE PREMIER BO YIBO, AND VICE PREMIER GENG BIAO; I HEAR THAT THESE SESSIONS WENT VERY WELL.

HAIG: WE HAD EXTENSIVE DISCUSSIONS ON INTERNATIONAL, REGIONAL, AND BILATERAL ISSUES. OUR TALKS WERE HIGHLY SATISFACTORY, AND VERY CONSTRUCTIVE.

ZHAO: PERHAPS TODAY I MIGHT USE THE OPPORTUNITY TO BRIEF YOUR EXCELLENCY ON DOMESTIC CONDITIONS HERE IN CHINA, MOREOVER, SINCE I RECENTLY WENT TO SOUTH ASIA, I WOULD LIKE TO COVER SEVERAL PAGE 04 BEIJING 01 OF 07

POINTS RELATED TO THOSE COUNTRIES.

HAIG: THAT WOULD BE VERY INTERESTING.

ZHAO: [TWO LINES EXCISED]; PERHAPS

YOU ALREADY KNOW THAT WE WILL SOON HAVE THE

SIXTH PLENUM OF THE 11TH PARTY CENTRAL COMMITTEE. THIS WILL BE A VERY IMPORTANT SESSION, ON THAT OCCASION, AN IMPORTANT

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DOCUMENT ON CERTAIN HISTORICAL QUESTIONS WILL BE ADOPTED, AND THERE WILL BE SOME PERSONNEL CHANGES IN THE CENTRAL LEADER-SHIP. [FIVE LINES EXCISED] PERHAPS YOU ALSO KNOW THAT IN 1945 THE PARTY CENTRAL COMMITTEE ADOPTED A RESOLUTION ON SOME IMPORTANT HISTORICAL OUESTIONS SINCE THE ESTABLISHMENT OF THE PARTY. AT THAT TIME OUR PARTY HAD A HISTORY OF 24 YEARS. THIS DOCUMENT ENCOURAGED THE UNITY OF PARTY MEMBERS, AND CONTRIBUTED TO THE STRENGTH OF THE PARTY, WHICH ULTIMATELY ACHIEVED THE GREAT NATIONAL VICTORY. THE RESOLUTION TO BE ADOPTED AT THE SIXTH PLENUM WILL BE A SUMMARY COVERING THE PERIOD FROM THE FOUNDING OF OUR REPUBLIC TO THE PRESENT --THAT IS, 32 YEARS. THIS DOCUMENT WILL CERTAINLY EXPEDITE THE PROGRESS OF THE FOUR MODERNIZATIONS EFFORT. PERHAPS YOU KNOW

THAT SINCE 1977, AND ESPECIALLY SINCE 1979, WE HAVE DONE A LOT TO REVIEW THE PATH WE HAVE TRAVERSED AND TO SUMMARIZE OUR EXPERIENCE AND THE LESSONS WE HAVE LEARNED. THE MAIN PURPOSE IS TO MAKE CLEAR THE DISTINCTION BETWEEN RIGHT AND WRONG, TO STICK TO THE RIGHT, AND TO CORRECT MISTAKES. THIS HAS BEEN A TREMENDOUS JOB, BUT IT IS NOW ALREADY FINISHED. AGAINST THIS BACKDROP THE SIXTH PLENUM WILL BE HELD.

TALKING ABOUT LOOKING BACK ON HISTORY AND SUMMING UP OUR HISTORICAL EXPERIENCE, THE OUESTIONS IS ONE OF HOW ONE LOOKS AT OUR JOB OVER THE PAST 32 YEARS. DURING THIS PERIOD, WE HAVE MADE SOME MISTAKES, PARTICULARLY DURING THE CULTURAL REVOLUTION, WHICH AFFECTED THE ENTIRE NATION. BUT APART FROM THAT, WE HAVE MADE CONSIDERABLE PROGRESS. WE HAVE ETABLISHED A SOCIALIST SYSTEM. AND WE HAVE LAUNCHED A MASSIVE ECONOMIC PROGRAM. WE HAVE CARRIED OUT WATER CON-SERVANCY ON A LARGE SCALE IN THE COUNTRY-SIDE. ONE MIGHT SAY THAT INDUSTRY HAS ALREADY ATTAINED A SIZEABLE MAGNITUDE. THERE ARE AS MANY AS 400,000 INDUSTRIAL ENTERPRISES IN CHINA. THE VALUE OF FIXED ASSETS AND CIRCULATING CURRENCY OF THESE ENTERPRISES AMOUNTS TO [ILLEGIBLE] BILLION CHINESE YUAN. THERE ARE, OF COURSE, SOME SHORTCOMINGS SUCH AS FAULTS IN MANAGEMENT AND EFFICIENCY, WHICH IS NOT TOO HIGH,

BUT WE HAVE ACHIEVED A SIZEABLE BASIS FOR DEVELOPMENT.

DURING THE LAST 32 YEARS THE CHINESE POPULA-TION HAS NEARLY DOUBLED. IN 1949 THERE WERE OVER 500 MILLION CHINESE. NOW WE HAVE NEARLY ONE BILLION. WE HAVE SUCCEEDED IN MEETING THE BASIC NEEDS OF OUR PEOPLE. NOW THEY HAVE ENOUGH TO EAT AND WEAR. HOWEVER, COMPARED TO THE DEVELOPED COUNTRIES AND TO THE MEDIAN INCOME AND RAPID GROWTH NATIONS, CHINA IS A POOR COUNTRY AND DECIDEDLY BACKWARD. BUT IT IS A VASTLY DIFFERENT COUNTRY THAN IT WAS 30 YEARS AGO. ONE OF THE MAJOR INDICATIONS OF CHANGE IS THAT THE AVERAGE LIFE EXPECTANCY IS NOW 64 YEARS OLD. AS YOU KNOW, LIFE EXPECTANCY REFLECTS THE LEVEL OF ECONOMIC AND SOCIAL DEVELOPMENT OF A COUNTRY. PARTICULARLY. I WOULD POINT OUT THAT IN THE LAST 30 OR MORE YEARS WE HAVE ACHIEVED SUCCESS IN A COUNTRY OF ONE BILLION, OF WHICH 800 MILLION ARE PEASANTS, AND IN A COUNTRY WHOSE ECONOMIC BASE WAS EXCEEDINGLY WEAK. FOR THE BETTER PART OF THE LAST THREE DECADES. CHINA CARRIED ON WORK UNDER DIFFICULT CONDITIONS. THE BLOCKADE WE FACED REQUIRED US TO RELY ON OUSELVES IN CAPITAL FORMATION. TECHNOLOGICAL DEVELOPMENT, AND BRINGING OUT THE TALENTS OF OUR PEOPLE. OF COURSE, IN THE 1950'S WHEN STALIN WAS ALIVE THE SOVIET UNION DID GIVE US SOME ASSISTANCE. BUT IT WAS NOT FREE; WE HAD TO PAY IT BACK. WHEN KRUSHCEV CAME TO POER HE TORE UP THE CONTRACTS, PULLED OUT THE TECHNICIANS. AND DEMANDED REPAYMENT. ALTHOUGH THIS

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CAUSED US GREAT TROUBLE, WE EVENTUALLY PAID EVERYTHING BACK

I WOULD MENTION IN PARTICULAR THAT ONE-THIRD OF THE LAST THREE DECADES -- THAT IS

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TEN YEARS -- WAS WASTED BECAUSE OF SO-CALLED CULTURAL REVOLUTION. BOOKING BACK, WE CAN SEE EVEN MORE CLEARLY WHAT A WASTED DECADE THAT WAS. I HAVE STUDIED THIS QUESTION AND FOUND THAT IT WAS PRECISELY DURING THAT DECADE THAT SOME OF THE LESS DEVELOPED COUNTRIES ACHIEVED SUCH REMARK-ABLE ECONOMIC PROGRESS. I HAVE GONE INTO DETAIL CONCERNING HOW TO LOOK AT THE LAST 32 YEARS. WE THINK THAT DESPITE BLUNDERS. THE SUCCESSES WERE THE PREDOMINANT FEATURE. THIS SHOWS THAT THE SOCIALIST SYSTEM CORRESPONDS TO ACTUAL CONDITIONS IN CHINA. WE HAVE BROUGHT INTO PLAY THE SUPERIORITY OF THE SOCIALISTS SYSTEM. EFFORTS MUST CONTINUE TO BE MADE TO IMPROVE OUR SYSTEM. THERE ARE SOME MAJOR FLAWS. THEY NEED TO BE REFORMED. THERE ARE SOME POLICY MISTAKES WHICH NEED TO BE CORRECTED.

THIS IS OUR GENERAL VIEW. ON THE ONE HAND, WE SHOULD STICK TO THE SOCIALIST ROAD, UPHOLD MARXISM-LENINISM-MAO ZEDONG THOUGHT,

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EXERCISE THE DICTATORSHIP OF THE PROLETARIAT. AND ADHERE TO THE LEADRSHIP OF THE COMMUNIST PARTY. BUT ON THE OTHER HAND. REFORMS WILL HAE TO BE CARRIED OUT STEP BY STEP. WHAT MAO ZEDONG SAID STILL WORKS FOR A GENERATION. IN ASSESSING OUR PERFORMANCE OVER THE PAST 32 YEARS, ONE SHOULD NEITHER CONFIRM NOR NEGATE WHAT HAS BEEN DONE, I.E., WE SHOULD NOT BECAUSE OF MISTAKES OR **BLUNDERS NEGATE OUR BASIC SOCIALIST SYSTEM** OR CHINA'S BASIC POLICIES. WE SHOULD STICK TO THE FOUR PRINCIPLES WHILE MAKING EARNEST EFFORTS TO PERFECT OUR SOCIALIST SYSTEM AND OVERCOMING SHORTCOMINGS IN OUR POLITICAL

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HAIG: WE DO FOLLOW EVENTS HERE CLOSELY, SINCE WE REGARD CHINA'S ECONOMIC HEALTH, STABLILITY, AND VITALITY AS A MATTER OF CONCERN TO THE UNITED STATES AS WELL. IN

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MANY RESPECTS, AS MY DISCUSSIONS WITH VICE PREMIER BO YIBO YESTERDAY CONFIRMED, WE ARE PURSUING PARALLEL TRACKS EVEN THOUGH WE ARE UNDER DIFFERENT SYSTEMS. I KNOW WE HAVE BOTH LEARNED ONE OF THE BASIC LESSIONS OF ECONOMICS, WHETHER ONE SPEAKS OF 18TH CENTURY ECONOMICS OR MARXIST ECONOMICS: THAT IS THAT NATIONS MUST NOT SPEND MORE THAN THEY TAKE IN. THAT IS A FORMULA FOR MORTGAGIN[G] THE FUTURE.

ZHAO: I HAVE HEARD THAT ACCORDING TO KEYNESIAN ECONOMIC THEORY ONE CAN SPEND MORE THAN ONE EARNS.

HAIG: THAT IS NOW A DEFUNCT THEORY IN THE UNITED STATES. PRESIDENT REAGAN DOES NOT FOLLOW FRIEDMAN EITHER, BUT HE REMEMBERS BASIC ECONOMICS FROM 40-50 YEARS AGO. I THINK OUR OWN HOUSEHOLDS LIVE BY THE FUNDAMENTAL ECONOMIC PRECEPTS WHICH NATIONS MUST FOLLOW AS WELL. I HAD A LENGTHY DISCUS-SION WITH DAVID ROCKEFELLER AFTER HIS RECENT VISIT IN CHINA WITH THE TRILATERAL COMMISSION. HE EXPRESSED GREAT INTEREST IN CAPITAL FINANCING AND THOUGHT THAT HE AND SOME OF HIS RANKING FRIENDS COULD OFFER SOME CONSTRUCTIVE SUGGESTIONS. I DID GATHER YESTERDAY THAT PART OF YOUR REFORM PROGRAM INVOLVES GREATER DECENTRALIZATION. THAT INTERESTS ME BECAUSE WE ARE ALSO SEEKING TO ACCOMPLISH THAT IN THE UNITED STATES. WE HAE ONE MAJOR CONTRADICTION IN OUR OTHERWISE AUSTERE BUDGET, WHICH HAS BEEN REDUCED BY 50 [?] BILLION DOLLARS; THAT IS A DRAMATIC 32 [?]

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BILLION DOLLAR INCREASE IN OUR DEFENSE SPENDING. WE HAVE FOUND THAT OVER THE LAST 20 YEARS OUR SOCIAL PROGRAMS GREW FROM 29 BILLION DURING THE ADMINISTRATION OF JOHN KENNEDY IN 1962 TO NEARLY 300 BILLION LAST YEAR. MANY OF THE PROGRAMS HAE OUTLIVED THEIR ORIGINAL PURPOSE, BUT THEY HAVE RETAINED

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MOMENTUM AND CONSTITUENCIES THEIR OWN [SIC], HENCE, THEY CONTINUE TO GROW. WE ARE PURSUING A BROAD BASED ECONOMIC REFORM SOMEWHAT DIFFERENT FROM WHAT MRS. THATCHER TRIED IN THE UNITED KINGDOM THREE YEARS AGO. SHE MADE THE MISTAKE OF TRYING TO ISOLATE FUNCTIONAL AREAS OF AUSTERITY, AND SHE WAS DEFEATED ON EACH ISSUE BY THE PARLIAMENT AND THE PEOPLE AND IS IN SOME TROUBLE TODAY. FOR THAT REASON, WE ARE TRYING TO PROCEED ON A BROAD FRONT IN AN INTEGRATED MANNER TO GET THE BASIC IMPROVEMENTS IN OUR ECONOMY WHICH WE MUST HAVE.

MR. PREMIER, I AM ANXIOUS TO HEAR ABOUT YOUR TRAVELS. I BROUGHT VICE CHAIRMAN DENG LETTER FROM VICE PRESIDENT BUSH, AND I HAVE BROUGHT YOU A LETTER FROM PRESIDENT REAGAN. I HAVE ALSO BEEN ASKED BY PRESIDENT REAGAN TO EXTEND TO YOU AN INVITATION TO VISIT THE UNITED STATES AT A MUTUALLY CONVENIENT DATE AT THE END

OF THIS YEAR OR THE BEGINNING OF NEXT YEAR.
WE WOULD BE HONORED TO RECEIVE YOU IF YOUR
SCHEDULE PERMITS. WE CAN WORK OUT THE
ARRANGEMENTS THROUGH DIPLOMATIC CHANNELS. I
KNOW THAT THE AMERICAN PEOPLE WOULD BE DELIGHTED
TO WELCOME YOU.

I WOULD LIKE TO EXPRESS THANKS FOR PRESIDENT ZHAO: REAGAN'S LETTER AND FOR HIS INVITATION AS WELL. BECAUSE I HAVE A VERY CROW[D]ED SCHEDULE THIS YEAR, PERHAPS I WILL NOT BE ABLE TO MAKE IT. BUT I AM LOOKING FORWARD TO VISITING WITH THE PRESIDENT AT A LATER DATE. SPECIFIC DATES CAN BE WORKED OUT THROUGH DIPLOMATIC CHANNELS. IW WOULD LIKE TO TAKE THIS OPPORTUNITY TO RENEW THE INVITATION TO PRESIDENT REAGAN TO VISIT CHINA. THE CHINESE GOVERNMENT HAS ALREADY EXTENDED AN INVITATION. NOW, ON BEHALF OF YE JIANYING. THE CHAIRMAN OF THE STANDING COMMITTEE OF THE NATIONAL PEOPLE'S CONGRESS, AND THE CHINESE GOVERNMENT, I WOULD LIKE TO REAFFIRM THAT INVITATION TO PRESIDENT REAGAN TO VISIT AT A CONVENIENT TIME. PLEASE ALSO CONVEY MY REGARDS TO THE PRESIDENT.

HAIG: I SHALL BE HAPPY TO DO SO. I KNOW THE PRESIDENT WILL WELCOME YOUR INVITATION AND LOOKS FORWARD TO YOUR VISIT. LIKE YOU, THE PRESIDENT HAS A VERY HEAVY SCHEDULE AND HE HAS FALLEN BEHIND BECAUSE OF THE RECENT ATTEMPT ON HIS LIFE.

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ZHAO: [PAGE EXCISED]

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HAIG: WE ARE PRESSED FOR TIME AND MUST STOP. LET ME MAKE ONE COMMENT ON PAKISTAN. YOU WILL HAVE NOTED IN THE PRESS THE ANNOUNCEMENT THAT MY UNDERSECRETARY FOR SECURITY ASSISTANCE, JIM BUCKLEY, HAS WORKED OUT A FRAMEWORK AND THE DETAILS OF AN AGREEMENT FOR A MULTI-BILLION DOLLAR ASSISTANCE PROGRAM FOR PAKISTAN. THIS PUBLICITY ON THE ARRANGEMENT HAS COME UP MORE LOUDLY THAN I WOULD HAVE WISHED THIS EARLY.

ZHAO: IS IT FOR DOLS 30 BILLIONG [SIC]?

HAIG: OVER DOLS 3 BILLION. DOLS 3 BILLION OVER FIVE YEARS IS A HIGH FIGURE, AND IS UNPRECEDENTED. THIS REPRESENTS ROUGHLY THE SAME LEVEL OF AID AS WE PROVIDE TO EGYPT. I WANTED TO ALERT YOU TO TWO ASPECTS OF THIS. FIRST, THERE WILL BE LOTS OF CONTROVERSY IN THE CONGRESS AS VARIOUS MEMBERS ARGUE THAT HIS IS TOO MUCH AND THAT IT HAS NOT BEEN CAREFULLY COORDINATED. WE WILL WORK ON THIS PROGRAM. SECOND, THE DANGER OF IMMEDIATE SOVIET PRESSURES ON PAKISTAN MAY BE HIGHER THAN EVER. [REMAINDER OF DOCUMENT TEXT ON PAGE EXCISED]

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THE MEETING CONCLUDED AT 5:00 P.M. ROY